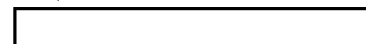


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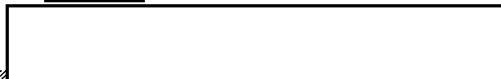
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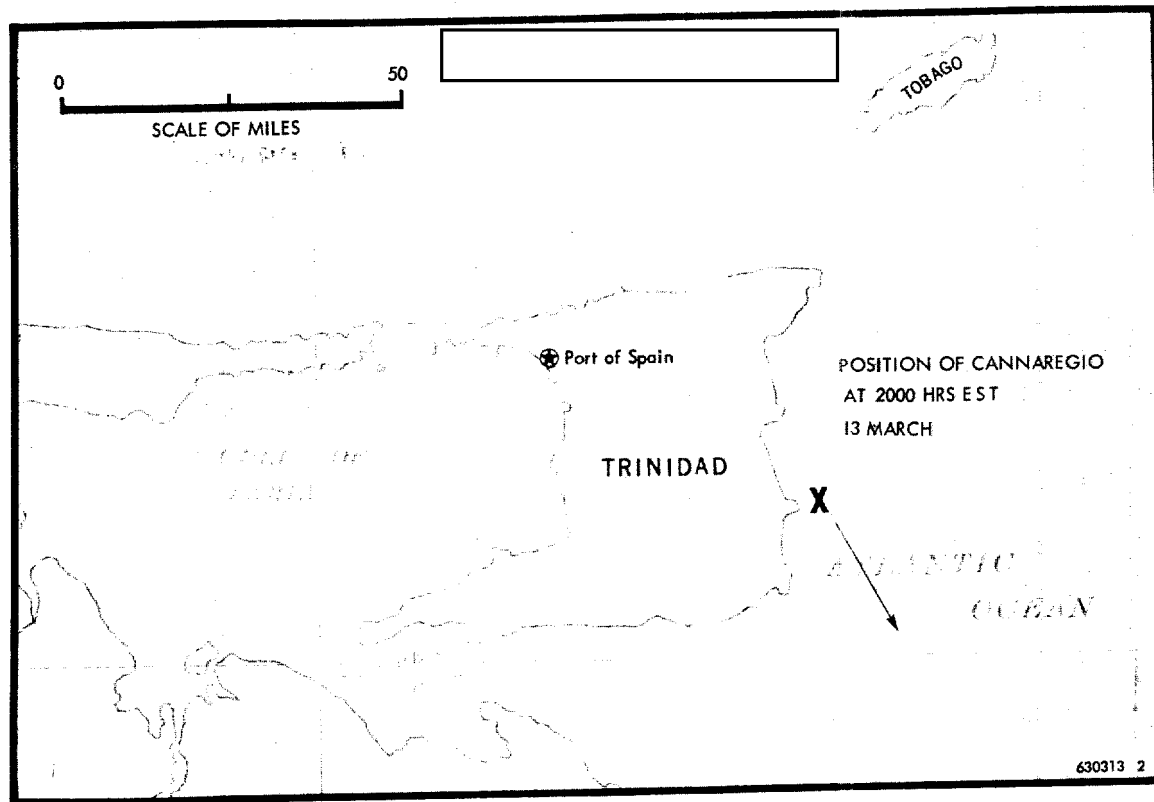


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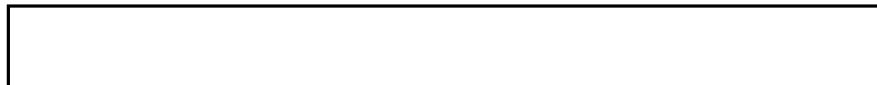
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*Trinidad: The Italian freighter Cannaregio, which has been under surveillance because of a report it might be carrying materiel from Cuba to Venezuelan dissidents, doubled back and anchored for 15 hours when closed by a Venezuelan destroyer off Trinidad on 12 March.

After anchoring in the Gulf of Paria off Port of Spain, the Cannaregio got under way in mid-afternoon 12 March and was reported by the US destroyer escort Claud Jones to be heading north "fast" out of the Dragon's Mouth passage. Its normal cruising speed from Cuba has been seven or eight knots; the maximum is about 11 knots.

When the Venezuelan destroyer General Flores closed the Cannaregio, it turned back and reanchored. At one point the Claud Jones reported "barges alongside and much activity."

The Cannaregio finally sailed at 0630 EST 13 March, and at noon was reported between Trinidad and Tobago on a heading slightly north of west. The commander of the Venezuelan destroyer reportedly plans to board the Cannaregio when it enters Venezuelan territorial waters.

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***USSR:** The announcement of the creation of a new Supreme Economic Council apparently follows a major review of Soviet policy at an unusual meeting of the top party and government officials.

Although a reallocation of resources in favor of the military is a possibility, there is as yet insufficient information at hand to reach a firm conclusion. This new institution may have only been superimposed on the existing administrative apparatus for the stated reasons, "...to guide and consolidate the work of the national planning agencies and the industrial and construction committees."

The head of the new council, Dmitry Ustinov, who has had a long career in armaments and missiles, suggests a broadening of military demands on the economy. However, Khrushchev in November praised the administrative centralization within the defense industries and spoke of the need for other parts of industry to follow this example. Ustinov would be a logical choice to implement this extension.

The announcement also indicated, but without detail, that a new Five-Year Plan is to follow the present Seven-Year Plan which terminates at the end of 1965. Plans for the last two years of the Seven-Year Plan are to be prepared concurrently to provide continuity between short and long-term planning, a procedure called for late in 1960.

The announcement stated that this planning is to be based on the decisions taken at the party plenum last November and the "tasks" outlined in the Twenty-Year Plan announced in October 1961. These documents reaffirmed the priority of heavy

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industry but called for some improvement in consumer welfare. However, Khrushchev's 27 February speech to his electors/ [REDACTED]

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reflected concern over the heavy defense burden carried by the Soviet Union. He strongly implied that the priority for the consumer which has been downgraded in the last year or two stands no chance of reinstatement in the near future. [REDACTED]

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*Syria: (Dissatisfaction over the 8 March coup existing in certain army and air force units poses a potential threat to the new regime.)

(Some of this discontent appears to stem from fear that Syria's new leaders may go too far in their overtures toward unity with the UAR. Although a majority of the present cabinet as well as a considerable body of army opinion opposes close union with the UAR, recent pro-Nasir demonstrations throughout the country have alarmed anti-Nasir elements.)

(The new Baathist-dominated regime is threatened from two sides--pro-Nasir elements pushing for full union with Egypt and conservative forces which oppose both the Baath and Nasir. Both groups have adherents in the army who could spark a coup.)

(There is also the danger of serious dissension among Baathist, pro-Nasir, and unaligned nationalist elements within the new regime itself.)

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UK-NATO: (Macmillan has reaffirmed to Ambassador Merchant his strong support for the Nassau understanding, but has given the impression that London still has some searching questions to ask regarding the establishment of a NATO multilateral nuclear force.)

(Regarding the US preference for surface missile ships in such a force, Macmillan expressed the fear that such ships might become intermingled with merchant vessels, and thus might cause serious difficulties for commercial shipping in periods of tension. He emphasized British special dependence on sea-borne trade.)

(Macmillan and Foreign Secretary Home agreed that Germany must be handled on a basis of equality within a multilateral nuclear force. Home suggested, however, that if the US intends to transfer the possession of nuclear warheads, it might be better to do so to NATO as a whole rather than to any smaller inner group.)

(In other discussions between Merchant and Lord Home, the foreign secretary appeared a good deal more skeptical of the need for the multilateral force to satisfy the nuclear aspirations of the Europeans. While he thought that no other European country would tolerate control of the force by majority rule with the Germans as participants, he questioned whether the force would be credible if unanimous consent for its use is required. He also suggested that failure to include the French in the command-control structure might lead to an "outright break" with Paris.)

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West Germany - Bloc: (The recent agreement between West Germany and Poland to exchange trade missions is likely to be followed by a further expansion of Bonn's relations with other East European satellites.)

(The agreement provides that the trade missions will have semi-diplomatic privileges. Both Bonn and Warsaw reportedly anticipate that the functions of these missions can be extended at some future date; first into the area of cultural exchange, and then, perhaps, to the handling of consular affairs.)

(Bonn is hopeful that other bloc countries will be encouraged to work out similar arrangements with West Germany. The prospects of an early agreement with Hungary are regarded as particularly favorable.)

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Indonesia: (Djakarta has set a deadline of 24 March for conclusion of contracts with major Western oil companies operating in Indonesia.)

(The government has told the companies that if they are unable to reach agreement within the time limit, it will "have to consider other appropriate arrangements and govern itself accordingly." According to a Stanvac official, government demands regarding foreign exchange and the companies' sales in Indonesia have the effect in practice of reducing the proposed formal 60-40 profit split in favor of Indonesia to 70-30, or worse.)

(The UN oil adviser in Indonesia believes there is no immediate threat that Indonesia will nationalize the companies' properties. He considers that if the companies agree to an Indonesian take-over of distribution facilities in five years and of refineries in 15 years, the government will compromise on other issues.)

(During the two years of negotiations with the companies, Indonesia has made preparations on a minor scale to introduce Soviet bloc assistance into the oil industry. More recently, Communist China reportedly has offered to buy Indonesian crude oil, but its processing capacity is limited.)

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NOTES

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USSR: Several Westerners who have met with Khrushchev in the past week have commented that he appeared to be tired and preoccupied. The Soviet leader has told the Indonesian ambassador that he will depart for a Black Sea vacation on 15 March--his first extended leave since late last summer.

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USSR-NATO: (NATO restrictions on the sale of large-diameter pipe to the USSR continue to irritate Moscow. In conversations last week with the British and German ambassadors, Khrushchev characterized the restrictions as "self-defeating" and claimed that large-diameter pipe is available in the USSR in quantities sufficient to allow export. There are in fact only two plants in the USSR producing 40-inch pipe, and their combined output is insufficient to meet even current domestic requirements.)

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Honduras - Costa Rica: (One of the two officials who will be handling public relations for Honduran President Ramon Villeda at the forthcoming conference in San José, Costa Rica, is a prominent pro-Communist. He is Francisco Lagos, who was removed from his position as librarian at the University of Honduras in July 1962 because of complicity in a Communist-inspired attempt to win a student election through fraud.)

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*Argentina: Police and army personnel in the greater Buenos Aires area were put on special alert late last night, apparently as a precaution against any possible disturbances by forces opposed to recognition of the Peronist Popular Union Party. Military authorities made several arrests of suspected plotters last weekend. Police described the latest security measures as preventive in nature.

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 The Special Assistant for National Security Affairs
 The Scientific Adviser to the President
 The Director of the Budget
 The Director, National Aeronautics and Space Administration
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 The Under Secretary of State
 The Under Secretary of State for Political Affairs
 The Deputy Under Secretary of State for Political Affairs
 The Counselor and Chairman of the Policy Planning Council
 The Director of Intelligence and Research
 The Treasury Department
 The Secretary of the Treasury
 The Under Secretary of the Treasury
 The Department of Defense
 The Secretary of Defense
 The Deputy Secretary of Defense
 The Secretary of the Army
 The Secretary of the Navy
 The Secretary of the Air Force
 The Assistant Secretary of Defense (International Security Affairs)
 The Assistant Secretary of Defense
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 Supreme Allied Commander, Europe
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